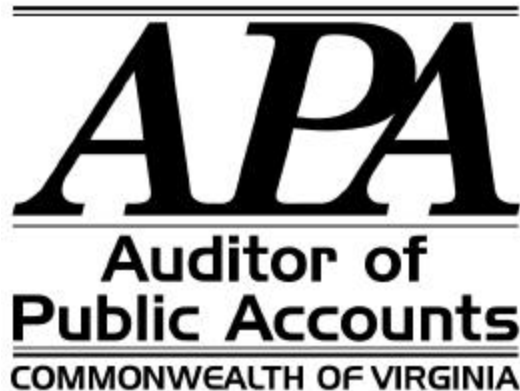


COLLECTION OF COMMONWEALTH REVENUES
by
LOCAL CONSTITUTIONAL OFFICERS
STATEWIDE REPORT

REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2000



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January 5, 2001

The Honorable James S. Gilmore, III
Governor of Virginia
State Capitol
Richmond, Virginia

The Honorable Vincent F. Callahan, Jr.
Chairman, Joint Legislative Audit
and Review Commission
General Assembly Building
Richmond, Virginia

We are pleased to submit the statewide **Report on Collection of Commonwealth Revenues by Local Constitutional Officers** for the fiscal year ended June 30, 2000. The Auditor of Public Accounts annually audits each constitutional officer or director of finance handling state funds to determine that these officials have maintained accountability over Commonwealth collections, established internal controls, and complied with state laws and regulations. This statewide report summarizes our findings that we have previously communicated to the individual Treasurers, Directors of Finance, Sheriffs, Commissioners of Revenue, and Commonwealth Attorneys and the respective local governing body upon completing our individual audits. Clerks of the Circuit Courts maintain separate accounting records and we issue separate reports for each Clerk's Office.

We group findings by constitutional officer and locality. Most findings affect a single locality although we did find four Treasurers that did not reconcile their records to monthly Commonwealth reports. Page 4 summarizes the internal control and compliance findings for all of the constitutional officers.

We limit our work in local government to the collection of Commonwealth revenues. The local governments hire certified public accountants to audit all other local government financial activities. These firms issue separate reports on the results of their audits.

AUDITOR OF PUBLIC ACCOUNTS

WJK: kwv

INTERNAL CONTROL AND COMPLIANCE FINDINGS

TREASURERS

CITY OF CLIFTON FORGE

Remit Sheriff's Fee Promptly

The Treasurer delayed transferring sheriff's fees to the Treasurer of Virginia on 2 of 6 days tested for up to 45 banking days. Section 2.1-198B of the Code of Virginia requires treasurers to remit fees weekly or twice each week if collections exceed \$5,000. The Treasurer should remit fees to the State Treasurer as required by the Code of Virginia.

CITY OF FALLS CHURCH

Reconcile State Taxes to Commonwealth Reports

The Treasurer did not reconcile the City's manual records to the State's Commonwealth Accounting and Reporting System (CARS). The Department of Accounts sends Treasurers monthly reports summarizing assessments, collections, and uncollected balances. To ensure this information is complete and accurate, the Treasurer should reconcile this information to the City's records monthly.

CITY OF MANASSAS PARK

Reconcile Collections to Commonwealth Reports

The Treasurer did not reconcile state income tax collections to the State's Commonwealth Accounting and Reporting System (CARS). Our review found clerical errors in the City's manual records of approximately \$933. The Department of Accounts sends Treasurers monthly reports summarizing assessments and collections. The Treasurer should use these reports to reconcile state collections to CARS reports monthly. This procedure will ensure complete and accurate recording of state collections in the City's manual records.

CITY OF RADFORD

Reconcile Collections to Commonwealth Reports

The Treasurer did not reconcile state income tax collections to the State's Commonwealth Accounting and Reporting System (CARS). Our review found the City's accounting system did not include approximately \$7,000 of state estimated income taxes recorded on CARS during September 1999. The Department of Accounts sends Treasurers monthly reports summarizing assessments and collections. The Treasurer should use these reports to reconcile state collections to CARS monthly. This will ensure complete and accurate recording of state collections in the City's accounting system. Subsequent to our audit, the Treasurer has begun to perform this reconciliation monthly.

COUNTY OF LUNENBURG

Remit Sheriff's Fees Promptly

The Treasurer delayed transferring sheriff's fees to the Treasurer of Virginia on 2 of the 12 days tested for up to 18 banking days. Section 2.1-198B of the Code of Virginia requires treasurers to remit sheriff's fees weekly, or twice each week if collections exceed \$5,000. The Treasurer should remit fees to the State Treasurer as required by the Code of Virginia.

COUNTY OF PRINCE GEORGE

Reconcile State Taxes to Commonwealth Reports

The Treasurer did not reconcile the County's automated system to the State's Commonwealth Accounting and Reporting System (CARS). The Department of Accounts sends Treasurers monthly reports summarizing assessments, collections, and uncollected balances. To ensure this information is complete and accurate, the Treasurer should reconcile this information to the County's records monthly.

TREASURERS and COMMISSIONERS OF REVENUE

COUNTY OF MONTGOMERY

Implement Security Controls

In fiscal year 2000, the County installed a new automated system. The Treasurer and the Commissioner of Revenue failed to implement password controls. In addition, the Commissioner of Revenue did not review user access. The Commissioner's office had the ability to change state tax payments entered by the Treasurer. The Treasurer and the Commissioner of Revenue should improve security over the system to ensure the integrity of the data. Subsequent to the audit, the Treasurer and the Commissioner of Revenue implemented password controls.

SHERIFFS

CITY OF MARTINSVILLE

Perform Monthly Bank Reconciliations

The Sheriff's Office did not perform monthly reconciliations of their checking account. The bank erroneously began assessing a service charge in March 2000, which resulted in the return of checks for insufficient funds. The account has accumulated return check fees and service fees creating a negative balance of \$138 at June 30, 2000. The Sheriff should perform monthly bank reconciliations to ensure for the proper accounting of funds and timely recognition of errors.

SUMMARY OF FINDINGS

We have audited state funds handled by local Treasurers, Sheriffs, Commissioners of Revenue, and Commonwealth Attorneys. The following schedule summarizes these constitutional officers' noncompliance with state laws and regulations and weaknesses in internal controls.

Requirement	Source of Requirement	Number of Officials Not Complying
TREASURERS:		
Reconcile State Taxes To Commonwealth Reports <i>(Falls Church and Prince George)</i>	Department of Accounts Procedures Memorandum	2
Reconcile Collections to Commonwealth Reports <i>(Manassas Park and Radford)</i>	Department of Accounts Procedures Memorandum	2
Remit Sheriff's Fees Promptly <i>(Clifton Forge and Lunenburg)</i>	<u>Code of Virginia</u> § 2.9-198B	2
Implement Security Controls <i>(Montgomery)</i>	--	1
COMMISSIONERS OF REVENUE:		
Implement Security Controls <i>(Montgomery)</i>	--	1
SHERIFFS:		
Perform Monthly Bank Reconciliations <i>(Martinsville)</i>	<u>Virginia Sheriffs Accounting Manual</u>	1